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IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Petitioners,

v.

AM INTERNATIONAL, INC., *et al.*,
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

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MOTION TO DEFER CONSIDERATION OF THE PETITION FOR CERTIORARI

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I. This Case Involves A Crucial Question Of Patent Law Which Should Be Heard When Inextricably Interrelated Portions Of The Case Are Brought To The Court

The instant case involves a crucial question of patent law. That question is whether a patent is enforceable if an applicant, during the process of seeking to obtain the patent from the Patent and Trademark Office ("PTO"), withheld information that would have been important to the PTO in determining whether the patent should issue.

But though a major question of patent law is presented here, petitioner believes and hereby moves that consideration of the petition for certiorari should be deferred until decisions on inextricably interrelated portions of the case are made by the lower courts and brought before this Court upon petition for review. Deferral until such time will avoid piecemeal consideration of issues. It will also aid this Court's decisional processes in two ways:

It will create an opportunity for the Court to obtain the views of the Federal Circuit on the specific facts and issues involved in this case. And it will enable the Court to examine the withholding question not just in the single context raised in the current petition for certiorari, but in the multiple contexts in which it is relevant to this case.

II. This Case Presents A Straightforward Question Of Withholding Of Information. Such Question Was Involved In Various Proceedings Below

1. The essence of the withholding of information problem in this case is straightforward.

Credit cards contain information such as the cardholder's name, address and identification number. So-called "station plates" contain the name, address and identification number of merchants from whom items are purchased by credit card. When an item is paid for by credit card, the information on the card and the station plate must be imprinted on a form that records this data. (The cardholder is given a carbon copy of the form.) The imprinting is done by small, tabletop machines of the type one sees at gasoline stations, department stores, etc.

In 1963, respondent AM International, Inc. ("AM") applied for a patent on an imprinting machine. It ultimately received patent 3,340,800 (the "'800 patent"). In 1964 AM applied for another patent on an imprinting machine, and ultimately received patent 3,272,120 (the "'120 patent").

In pursuing its application for the '120 patent, AM did not tell the examiner of the prior art manifested in its wholly separate '800 patent application. Neither did it tell him of facts indicating it may have placed the '120 machine on sale more than a year before it applied for the '120 patent. Under the law, AM's right to the '120 patent could have been nullified because the '120 machine

was anticipated by the prior art of the '800 machine or because the '120 machine was on sale over a year before the '120 patent application was filed.

2. In 1978 AM applied to the PTO for reissue of its '120 patent. When an application for reissue is filed, the applicant informs the PTO of art or facts the PTO was unaware of during the initial application, and seeks to have the PTO reissue the patent despite the newly presented information.

After appropriate proceedings, the PTO refused to reissue the '120 patent. It found that all claims for the '120 patent were statutorily barred because the '120 machine had been on sale over a year in advance of the original patent application filed in 1964. The PTO's decision means the '120 patent should never have issued, and would not in fact have issued had AM fulfilled its duty to inform the original examiner of facts indicating sale more than a year before application.

The PTO also requested the reissue examiner's opinion on whether, in pursuing its original '120 patent application, AM should have disclosed the art revealed in its own '800 patent application. The reissue examiner's answer was affirmative. He said the '800 "patent, if available, would clearly have been material and would have been a most pertinent reference" on claim 2 of the '120 patent. "This conclusion is borne out," he continued, "by the fact that [the '800 patent] was applied against claim 2 during reissue . . . and in response thereto the applicant extensively amended claim 2" in its effort to obtain reissue. PX-5A, Part 3, p. 991; see *Appendix I To Petition For Certiorari*, p. 5a.

3. While the reissue proceedings were in progress, National Business Systems ("NBS") and AM sued and countersued each other. NBS essentially made two charges regarding the '120 patent. It said the patent was invalid for reasons of patent law, e.g., the '120 art had been anticipated by the '800 patent, the art was obvious, and

AM had improperly withheld information when seeking the '120 patent. NBS also said the '120 patent and machine were a central part of violations of the antitrust laws committed by AM.

In its countersuit, AM charged NBS with infringing claims of the '120 patent. AM seeks millions of dollars in damages for this alleged infringement.

In the district court, the antitrust and patent claims were severed for trial. The patent claims raised by NBS and AM were tried first, with NBS's antitrust charges to be tried subsequently. Upon conclusion of the patent trial, the district court said the case was "close" (*Appendix I To Petition For Certiorari*, p. 62a); it held several claims of the '120 patent not infringed, but held claim 7 of the patent valid and infringed. It also held NBS had not proven by " 'clear, unequivocal and convincing' " evidence that AM had committed fraud on the PTO by failing to disclose the prior art of the '800 patent or the facts indicating "on sale" bar. *Id.* at 43a-44a.

While the severed antitrust portion of the case was held in abeyance, the district court's opinion was appealed to the Seventh Circuit. Saying that the questions of obviousness and on sale bar were "very close" and "close" (*id.* at 12a, 18a), the Court of Appeals upheld the district court's decision. Also, it declined to follow the decision rendered against the patent by the PTO in the reissue proceedings. *Id.* at 7a-9a.

Subsequent to the trial court and appellate court opinions, NBS filed a Rule 60(b) motion for relief from judgment in the district court. This motion urged that AM and its counsel had been guilty of improper conduct before the PTO. The motion stressed that AM, its patent solicitor, and the inventor of the '120 machine had all known of the relevant prior art contained in AM's '800 patent application and of facts showing on sale bar, but had withheld such information from the PTO.

The motion further stressed that under recent 1984 rulings of the Federal Circuit—the expert patent and trademark court which obtained exclusive jurisdiction over all patent appeals just nineteen days after the district court's decision—the '120 patent is unenforceable because AM withheld information and because of the decisions in the PTO reissue proceedings regarding such withholding.

The District Court's decision on the Rule 60(b) motion was pending until April 30, 1985, the day on which this motion was in process of being printed. On April 30th, however, the District Court denied the Rule 60(b) motion. NBS will appeal the denial. The appeal lies to the Federal Circuit.

III. The Federal Circuit Has Adopted Strict Rules To Govern The Question Whether A Patent Is Enforceable When The Patentee Has Withheld Information From The PTO

As stated above, the question of withholding pertinent information from the PTO is a crucial issue of patent law. Applications for patents are ex parte proceedings. There is no opponent who can call the PTO's attention to prior art, to prior discussions in the technical literature, or to other facts that might bar issuance of a patent. The PTO must therefore depend upon the applicant to present both the facts bearing on reasons why a patent should issue and the facts bearing on why it should not issue. Such presentation is the applicant's duty.

Faithful adherence to this duty is essential, the more so because the applicant is familiar with the facts relevant to his claimed invention whereas the Examiner may have comparatively little knowledge and is faced with a daunting sea of prior patent grants and scientific literature.[1] If an applicant does not fulfill its duty to present

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[1] Because a tribunal must depend upon the sole party appearing before it in an ex parte proceeding, the American Bar Association's Model Rules of Professional Conduct state that in such a

facts adverse to it, patents will wrongly issue. Such wrongful patents will denigrate from the public welfare by preventing persons from freely employing devices which are useful but have no right to patent protection.[2]

Because it is crucial that patent applicants present all relevant facts, the Federal Circuit—comprised of jurists who specialize in and are knowledgeable about these matters—has adopted strict rules to govern the question whether a patent is enforceable when the patentee withheld information from the PTO. To begin with, the Federal Circuit has deliberately embraced the most encompassing of four possible tests that could be used in determinations of whether there has been inequitable conduct before the PTO. *J. P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984). Such test is "whether there is a substantial likelihood that a reasonable examiner would have considered the omitted reference or false information important in deciding whether to allow the application to issue as a patent." *Ibid.* This standard is followed "because it is the broadest and because it most closely aligns with how one ought to conduct business with the PTO." *Ibid.*

Moreover, it is "not relevant" that a patent might have issued even if the withheld information *had* been disclosed. *Driscoll v. Cebalo*, 731 F.2d 878, 884 (Fed. Cir. 1984). All that is relevant is whether the omitted information would have been important in making a determination on issuance. *Ibid.*

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proceeding "a lawyer shall inform the tribunal of all material facts known to the lawyer which will enable the tribunal to make an informed decision, whether or not the facts are adverse." Rule 3.3(d).

[2] In *Lear v. Adkins*, 395 U.S. 653 (1969), this Court recognized the necessity of preventing such denigration of the public welfare. To protect "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain," *id.* at 670, the Court permitted patent licensees to challenge the validity of their licensors' patents.

The Federal Circuit also has ruled that, if there has been inequitable withholding of information on any claim of a patent application, then "all the claims—not just the particular claims to which the inequitable conduct is directly connected—are unenforceable." *J. P. Stevens & Co., Inc., supra,* 747 U.S. at 1561. For "the patentee has failed to discharge his duty of dealing with the examiner in a manner free from the taint of 'fraud or other inequitable conduct.'" *Ibid.* He has not lived up to the "very important policy consideration" that "discourage[s] all manner of dishonest conduct in dealing with the PTO." *Rohm & Haas Co. v. Crystal Chemical Co.*, 722 F.2d 1556, 1571 (Fed. Cir. 1983).

Finally, the Federal Circuit has rejected the idea that a patent applicant who withheld relevant information can plead a subjective belief that the information was unimportant. *Argus Chemical Corporation v. Fibreglass-Evercoat Co., Inc.*, decided April 4, 1985 (Fed. Cir.). Rather than being a matter of subjective good faith, the test is the objective one of "whether a reasonable person" in the patentee's position "knew or should have known that the [withheld] information was material." *Id.*, slip op. at p. 8.[3]

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[3] Because of "the strong public interest in not countenancing fraud in the PTO, and accordingly refusing to award damages for infringement of an invalid patent," the Federal Circuit has also vacated a judgment for the patentee in an action in which the alleged infringer "never raised the affirmative defense that the . . . patent was invalid or unenforceable because of fraud in its procurement." *Thompson-Hayward Chemical Co. v. Rohm and Haas Co.*, 745 F.2d 27, 29, 32 (Fed. Cir. 1984). The Federal Circuit felt the necessity of precluding fraud overrode the normally applicable rule that "conceded or unappealed issues are not reviewable." *Id.* at 32.

IV. There Is A Conflict Between The Decision Below And Rulings Of The PTO And The Federal Circuit. But Consideration Of The Petition For Certiorari Should Be Deferred Because That Conflict, And Even More Importantly The Crucial Underlying Question Whether A Patent Is Enforceable When Information Was Withheld From The PTO, Will Again Be Brought Before This Court Upon Petition To Review Inextricably Interrelated Aspects Of The Case

There is a conflict between the decision below on the one hand, and the law of the Federal Circuit and the PTO on the other.

One the one side, the Seventh Circuit (and the district court before it) has upheld the enforceability of the '120 patent though AM failed to tell the original examiner of facts showing on sale bar and of prior art contained in its own '800 patent application.

On the other side, the PTO specifically ruled against reissue of the '120 patent when it was apprised of the facts showing on sale bar, and the reissue examiner has stated that in failing to disclose the '800 art to the original examiner, AM omitted "a most pertinent reference" that could have been of consequence for the original application.[4] Further, the Federal Circuit has established strict principles under which omission of known and important information will lead to unenforceability of the resulting patent.

But though there already is a conflict, such conflict—and even more importantly, the crucial underlying question of whether a patent is enforceable when material information was withheld during the initial application—

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[4] As evidenced by the ruling of the PTO and the reissue examiner, in this case AM is seeking millions of dollars in damages for infringement of a patent that would not have been issued by the PTO in the first place if relevant information had not been withheld.

will again be brought to this Court upon petition to review decisions on inextricably related portions of the case that are still pending below. There are two such aspects of the case.

First, the Rule 60(b) motion filed by NBS was decided by the district court while this Motion to Defer Consideration was at the printer. NBS will appeal the district court's denial of the Rule 60(b) motion. The appeal will go to the Federal Circuit, which in recent rulings has invoked the strict principles discussed above. If this Court were to defer consideration of the present petition for certiorari until the Federal Circuit's ruling on the Rule 60(b) motion is brought here upon petition for review, the Court could have the opportunity to obtain the Federal Circuit's views on this specific case, and to compare the views of that tribunal with those expressed by the Seventh Circuit.

Second, AM's withholding of information from the PTO is one of several acts that will be relied upon by NBS in the antitrust portion of the case, which is yet to be tried. The gravamen of NBS's antitrust charge is that through acts such as obtaining the '120 patent by withholding pertinent information, disparaging imprinters sold by NBS and thereby violating the Lanham Act, and filing lawsuits at times when they would discourage potential NBS customers at trade shows, AM secured an overwhelming share of the overall American market for imprinters, as well as nearly the entire banking and travel and entertainment submarkets, and monopolized and attempted to monopolize the overall market and submarkets. In this connection we note that it will not be necessary for NBS to show that AM's withholding of information violated the law in itself, but only to show that it was one of a series of acts that were taken to monopolize and attempt to monopolize. (The antitrust charges differ from the other aspects of the case in this regard.)

Thus, in addition to coming before this Court on the current petition for certiorari and on a petition to review the Rule 60(b) decision, the question of withholding will come before the Court as part of the inextricably interrelated antitrust proceedings. If the Court were to defer consideration of the current petition until the Rule 60(b) decision is brought here, or until the antitrust decision is brought here, there would be several benefits listed at the beginning of this motion. Piecemeal adjudication of issues would be avoided. The Court might obtain the Federal Circuit's view on this specific case. And the Court would be able to examine the withholding problem in several contexts, not just one context.

CONCLUSION

For the foregoing reasons, the Court should defer consideration of the petition for certiorari until inextricably interrelated portions of this case are brought to the Court for review.

Respectfully submitted,

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